ICIC E-Business Project

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March 30, 2001

in partnership with

THE BOSTON CONSULTING GROUP

MEETING OBJECTIVES

Share preliminary findings of the ICIC E-Business project

Solicit feedback on project

Discuss ICIC/BCG recommendations

AGENDA

Project Overview

Data Recommendations

- **Consistency of recommendations with FCC Charter**
- **Sample of ideal output**
- **Survey revisions to support ideal output**

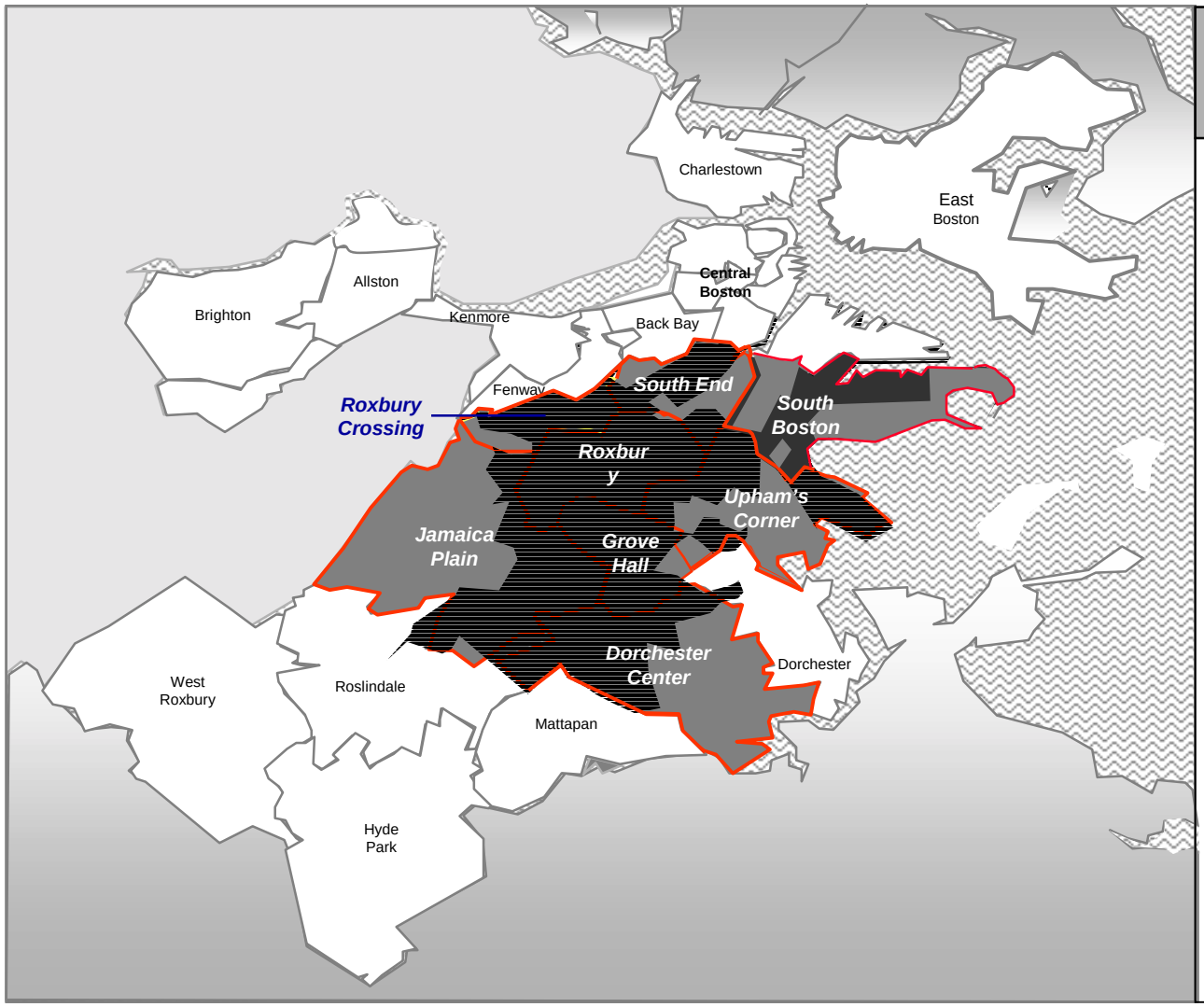
POSITIONING INNER-CITY BUSINESSES TO COMPETE IN E-BUSINESS

Project objectives

- The project will conduct new research and develop specific, actionable business strategies regarding advanced Internet technology and services in inner cities across the country

- The goal of the project is to enable inner-city companies to compete in a rapidly changing economic landscape; this increased competitiveness will enable inner cities to maintain and increase job and wealth-creation opportunities for inner-city residents

DEFINING THE INNER CITY



Definition

- **The inner city includes all zip codes which meet 2 of the 3 following indicators:**
  - **Poverty rate at least 50% > MSA poverty**
  - **MHI at least 50% < MSA MHI**
  - **Unemployment at least 50% > MSA unemployment**

  Or

  - **Absolute poverty rate > 20%**
- **Exclude zip codes that are not in region's urban core**
- **Exclude central business districts**
- **Incorporate local knowledge**

THE INNER-CITY BUSINESS BASE

- **ICIC/BCG analysis indicates that close to 450,000 businesses of all sizes and industries operate in inner cities of the 50 largest US cities.**

- **These businesses generate an estimated 6 million jobs and $550 billion in revenues.**

- **IC100 companies are among the fastest growing companies in the country.**

THE INNER CITY 100	Total IC 100	Top 3
Average CAGR (%)	50	202
Average 1998 revenues ($M)	12.2	10.2
Average sales growth rate (%)	742	9,330

PROJECT ACTIVITIES

PHASE I: Supply of Broadband Services

- Assess availability of broadband infrastructure in inner cities (FCC data)
- Assess quality of broadband services in inner cities
- Estimate inner city business demand for broadband services

PHASE II: Demand for Broadband Services

- Identify the highest impact areas for enhancing inner city business competitiveness through e-business technologies and practices
- Conduct a national survey of inner-city companies to identify e-business technology adoption practices, barriers, and opportunities
- Analyze IC100 surveys and site-visit interviews for e-business adoption
- Conduct case studies of IC100 companies that have adopted e-business technologies
- Identify national partners that can provide e-business advisory services to inner-city companies

PROJECT OUTCOMES

IMPACTING PUBLIC POLICY:

I. Guidance to FCC enforcement activities

II. Informing public policy, esp. broadband rollout tax credit proposals and and the spectrum rights debate

BRINGING VALUABLE RESOURCES TO INNER-CITY BUSINESSES:

III. Forging national partnerships that can provide e-business advisory services to inner-city companies (e.g., Cisco Internet Business Solutions, Dell, IBM, etc.)

IV. Helping shape service provider marketing strategy directed at inner city businesses

DESIGNING TOOLS FOR LOCAL BUSINESS DEVELOPMENT STRATEGY:

V. Developing and disseminating inner city e-business readiness assessment toolkit

VI. Published report and media coverage

Project Structure

Project Team

ICIC
- Conducts inner-city research
- Assembles key players
- Provides project management
- Provides thought leadership on inner-city business dynamics
- Convenes decision-makers
- Disseminates findings

Boston Consulting Group
- Provides senior management input throughout project
- Conduct discreet analyses. Phase I analyses included:
  - Availability of broadband services
  - Provisioning and acquisition activities of telco's
  - Market size

Funding Partner

- The **Ford Foundation**

Positioning inner cities to compete in a wired economy

Advisory Team

- Provides expert guidance throughout project
- Brings together
  - Telecom companies
  - Inner-city companies
  - Corporate purchasers
  - Technology providers

PROJECT ADVISORY TEAM MEMBERS

***ALTS*, David Walcott, Dir. Of Public Policy Research, Washington, D.C.**

***AT&T Broadband*, David Grain, SVP for Northeast Region, Andover, MA**

***Digital Broadband Communications*, Kelly Kiser, VP, Legal Dept., Wlatham, MA**

***Fast Track Litigation Support*, Greg Rugolo, Oakland, CA**

***Ford Foundation*, Michele Kahane, Program Investment Officer, New York, NY**

***IBM,* Steven Stewart, Program Director, Governmental Programs, Washington, D.C.**

***Lawrence Irving*, Former U.S. Asst. Secretary of Commerce (NTIA), Washington, D.C.**

***Northpoint Communications*, Michael Olson, Deputy General Council, San Francisco, CA**

***Pacific Bell*, Carol Cody, General Manager, External Affairs, Oakland, CA**

***SBC*, Fred Guerra, Regional VP, Westwood, MA**

***Sprint*, Greg Gordon, Sr. Director Business Marketing, Dallas, TX**

***Staples.com*, Jeffrey Levitan, SVP, Business Development, Framingham, MA**

***Verizon*, Link Hoewing, Ex. Director Corporate Policy, Washington, D.C.**

***XO Communications*, Gerald Salemme, Sr. Vice President, External Affairs, Washington, D.C.**

INNER CITY ZIP CODES ARE AMONG MOST LIKELY TO BE BROADBAND ENABLED IN U.S.

Groups of zip codes	Percent with at least one broadband provider	Average number of providers per zip code for zip codes with at least one broadband provider
U.S. total	59	2.54
Largest 50 MSAs(1)	83	3.28
Largest 50 cities	88	3.69
Largest 50 inner cities	97	3.28
Largest 50 central business districts	98	4.50

(1) Based on population. MSAs with no inner city zip codes were excluded
Source: FCC data

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FCC CHARTER FOR COLLECTING BROADBAND DEPLOYMENT DATA IS BASED ON THREE MAIN OBJECTIVES

Data Will Provide Reliable and Empirical Understanding of Deployment Status

Assess whether or not advanced telecommunications capabilities are being deployed to all Americans in a reasonable and timely fashion

- **Understand availability of broadband services**
- **Encourage additional broadband deployment as appropriate**

Gauge pace and extent of competition for advanced telecommunications services

Identify appropriate level of regulation for advanced telecommunications services

- **Maintain ability to develop, evaluate, and revise policy in rapidly changing environment**
- **Implement pro-competitive, deregulatory provisions of Telecommunications Act of 1996**

FCC interested in making data collection as easy as possible for broadband providers

MUST UNDERSTAND BOTH ENABLEMENT & PENETRATION LEVELS TO ASSESS DEPLOYMENT STATUS FOR ALL AMERICANS

Demographic Comparison Will Highlight Areas of Concern

Enablement simply measures availability (not usage) of broadband services

- **Measured separately for each type of broadband service**
- **Certain types of services only applicable to certain types of customers**

Penetration measures level of subscribership to broadband services among enabled customer base

- **Provides understanding of how many people are actually using broadband services**
- **Serves as metric for provisionability of service in addition to success level of provider marketing efforts**

Comparing enablement and penetration figures to the average in selected demographic segments will identify groups of Americans being overlooked

Enablement and penetration must be measured at the zip code level to allow for demographic comparisons

Benefits of competition only realized if broadband service providers are competing for the same customer base

INTERPRETING DATA ALONG DEMOGRAPHIC AND SERVICE TYPE DIMENSIONS SUGGEST REGULATORY NEEDS

By each service type

By each demographic group

Relative level of enablement	Relative level of penetration	Relative competition	Potential regulatory actions
High	High	High	Decrease regulatory activity
High	High	Low	Encourage competition
High	Low	High	Investigate biased provisioning
High	Low	Low	Encourage competition; investigate biased provisioning
Low	High	High	Encourage infrastructure deployment
Low	High	Low	Encourage infrastructure deployment and increased competition
Low	Low	High	Encourage infrastructure deployment; investigate biased provisioning
Low	Low	Low	Encourage infrastructure deployment and increased competition; investigate provisioning

DIGITAL DIVIDE MONITORING WILL FOCUS ON MOST SUSCEPTIBLE DEMOGRAPHIC GROUPS

XX Residential and XX Business Groups Have Been Identified

Identified residential groups
Rural communities
Inner city residents
Minority groups
Low income households

Identified business groups
Rural businesses
Inner city businesses
Minority-owned businesses
Small businesses

Illustrative

Data Recommendations

XX GROUPS IDENTIFIED WITH ENABLEMENT AND PENETRATION LEVELS SIGNIFICANTLY BELOW AVERAGE

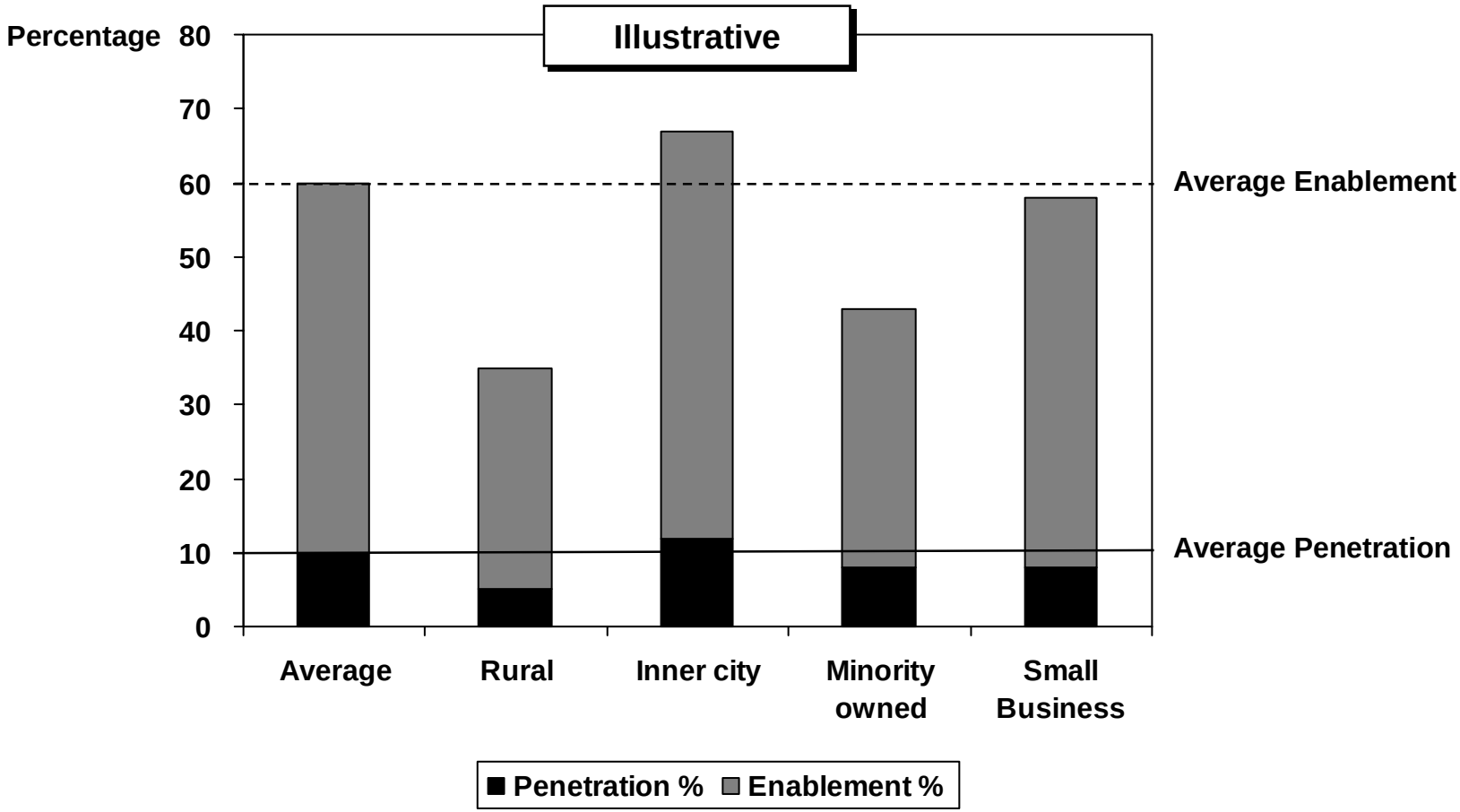
	Group	Total Broadband	xDSL	Cable Modem	Fiber	Fixed Wireless	Satellite	Mobile Wireless
Business	Average	__/__	__/__		__/__	__/__	__/__	__/__
	Rural	__/__	__/__		__/__	__/__	__/__	__/__
	Inner city	__/__	__/__		__/__	__/__	__/__	__/__
	Minority owned	__/__	__/__		__/__	__/__	__/__	__/__
	Small business	__/__	__/__		__/__	__/__	__/__	__/__
Residential	Average	__/__	__/__	__/__		__/__	__/__	__/__
	Rural	__/__	__/__	__/__		__/__	__/__	__/__
	Inner city	__/__	__/__	__/__		__/__	__/__	__/__
	Minority	__/__	__/__	__/__		__/__	__/__	__/__
	Low income	__/__	__/__	__/__		__/__	__/__	__/__

Enablement % / Penetration %

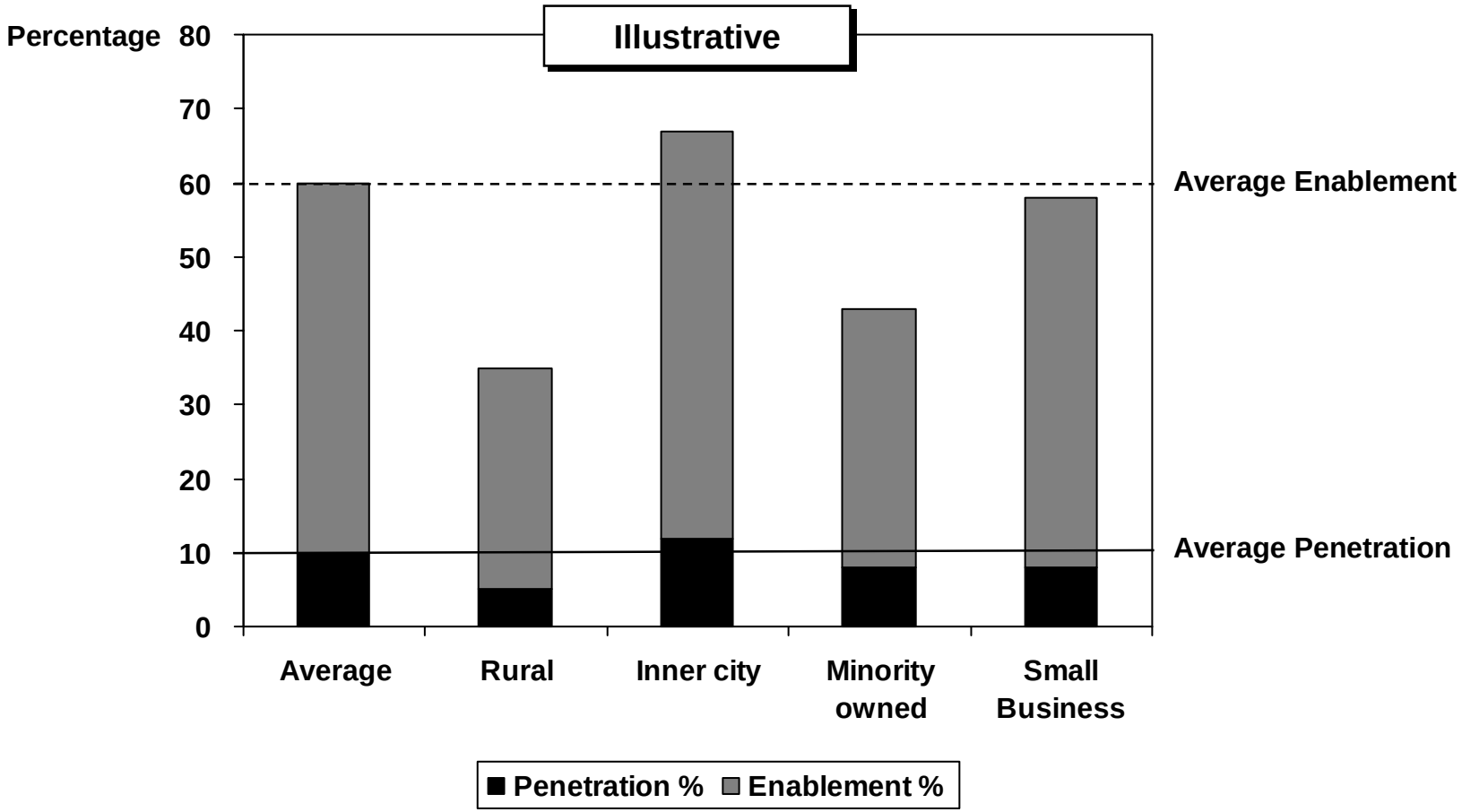
E&P > __% points below average

E&P > __% points below average

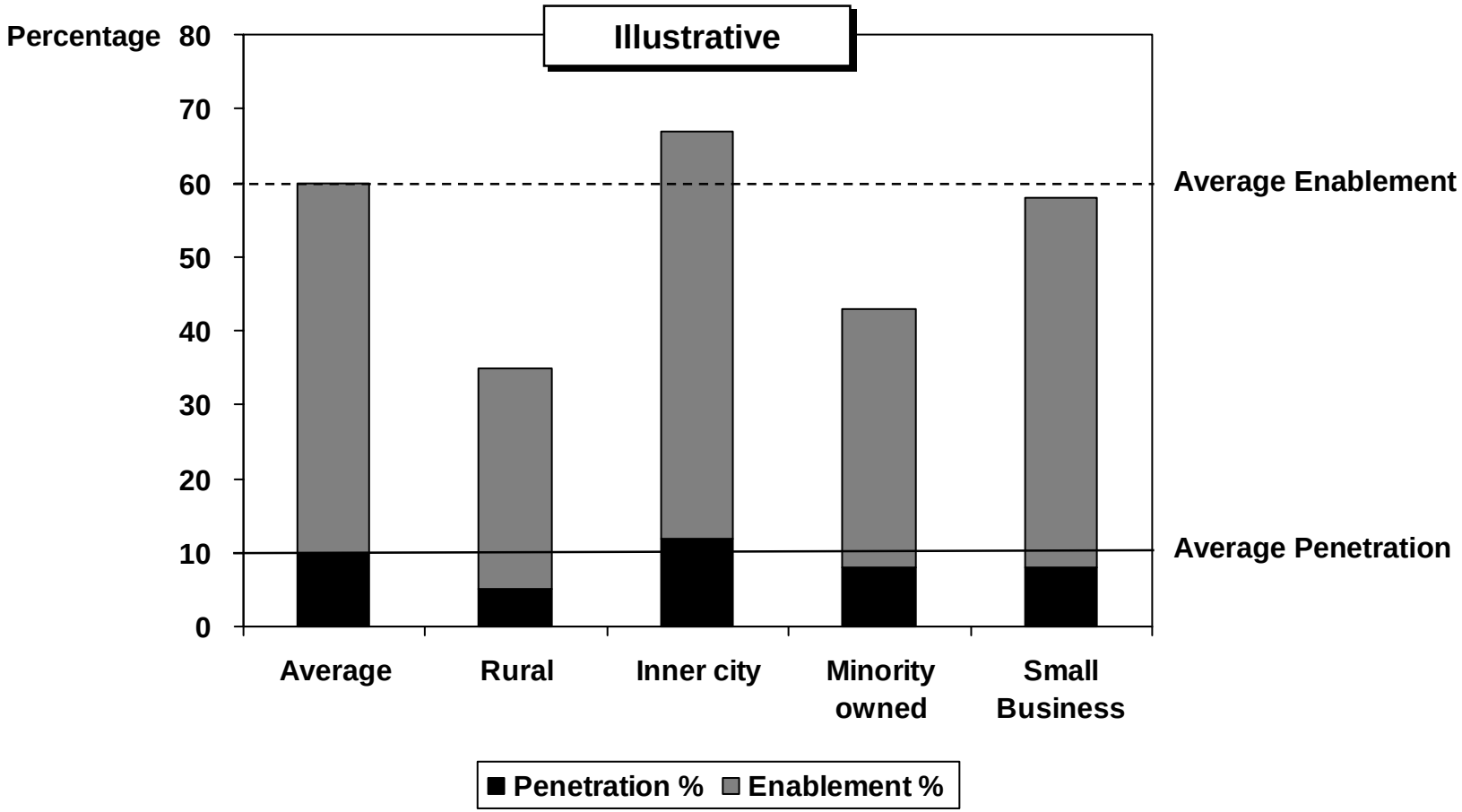
DIGITAL DIVIDE SCORECARD (I)
Total Broadband for Businesses



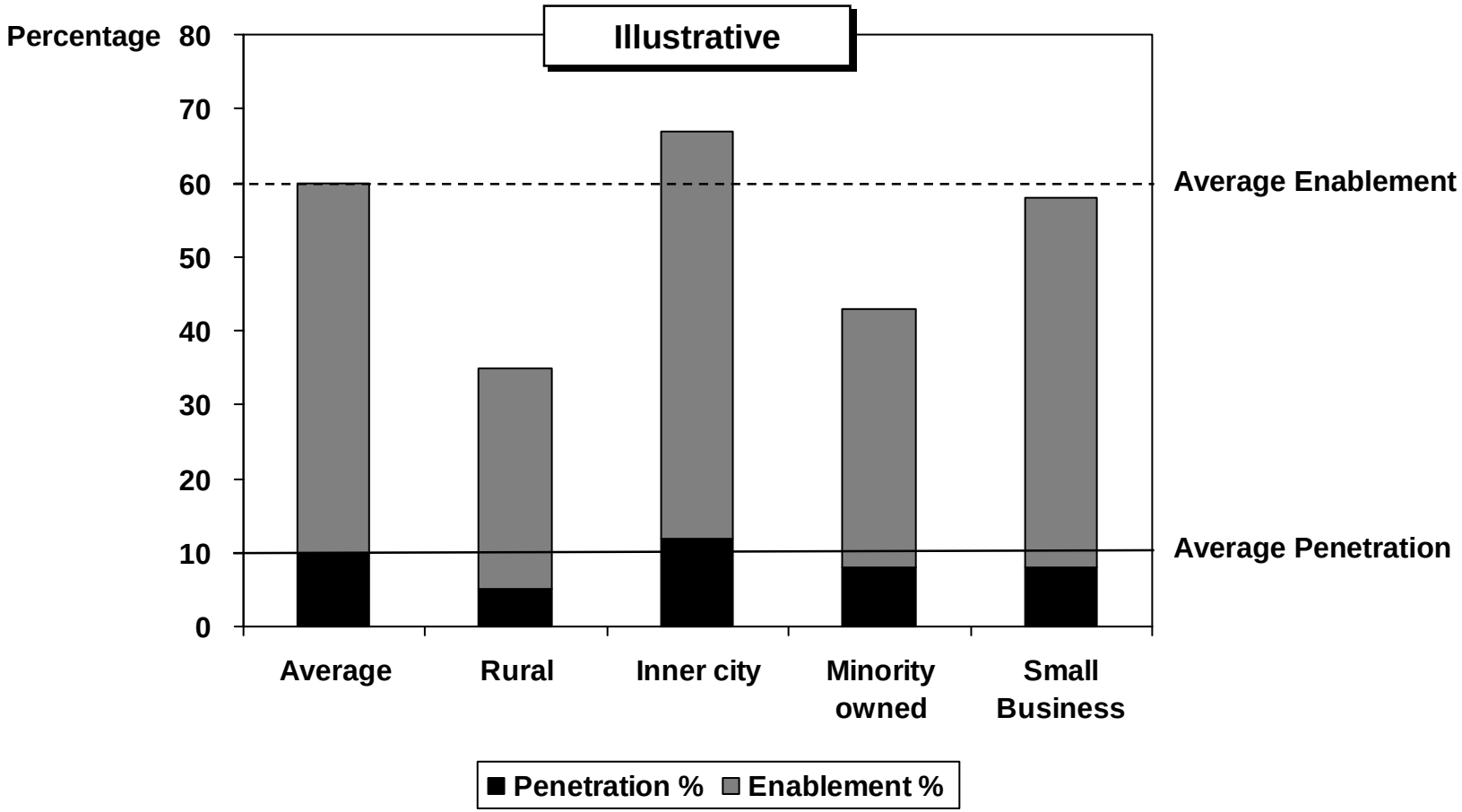
DIGITAL DIVIDE SCORECARD (II)
Total Broadband for Residential



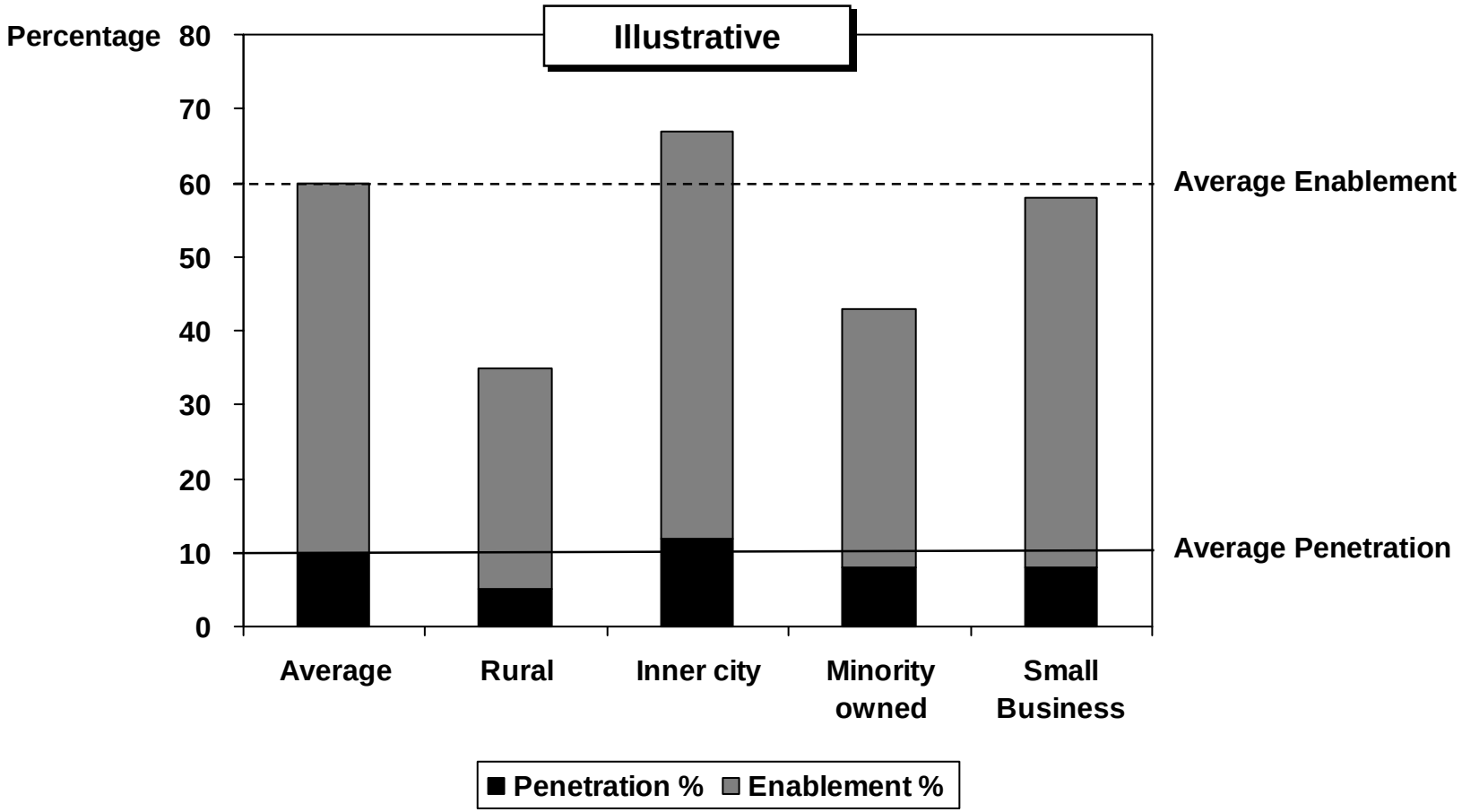
DIGITAL DIVIDE SCORECARD (III)
DSL for Businesses



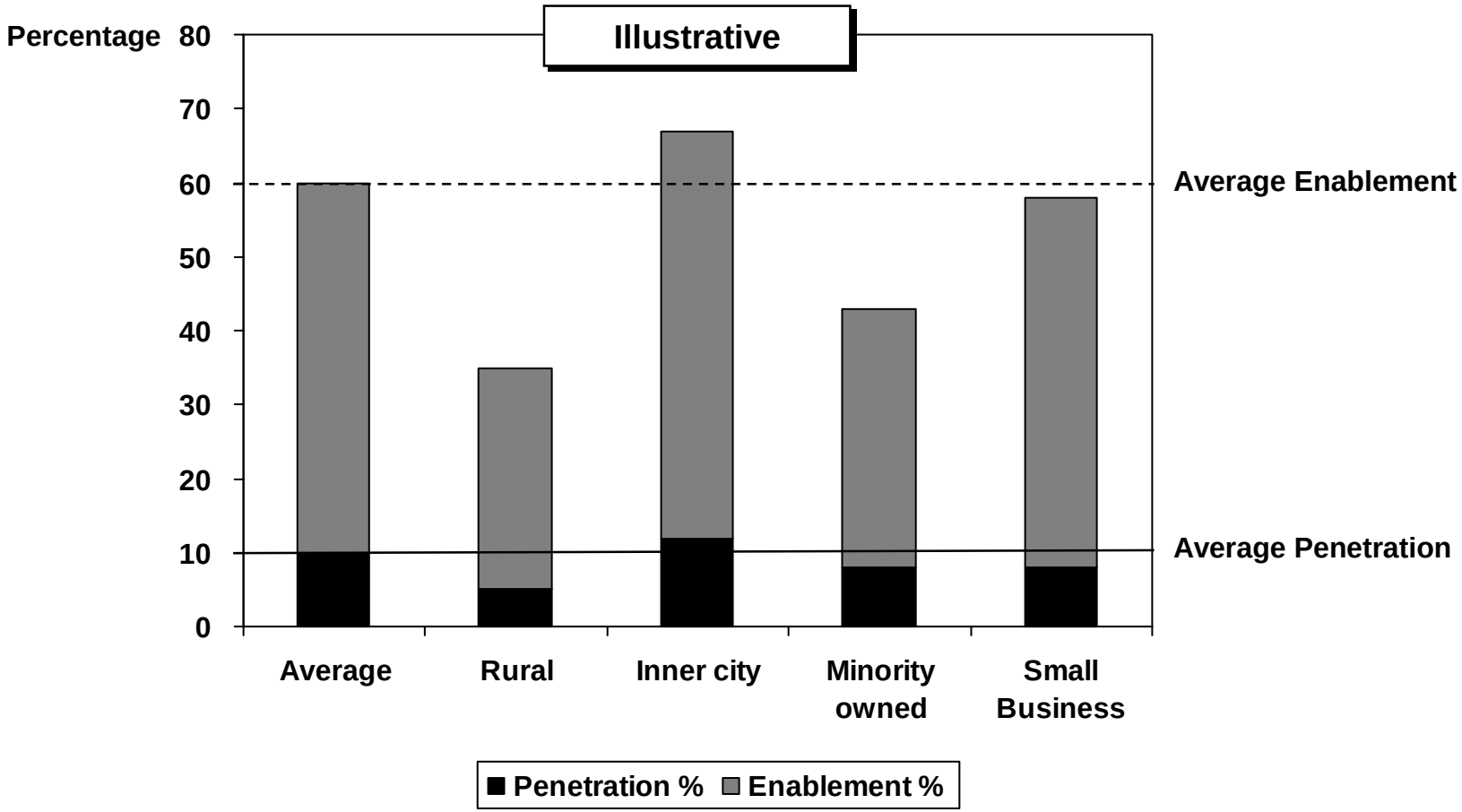
DIGITAL DIVIDE SCORECARD (IV)
DSL for Residential



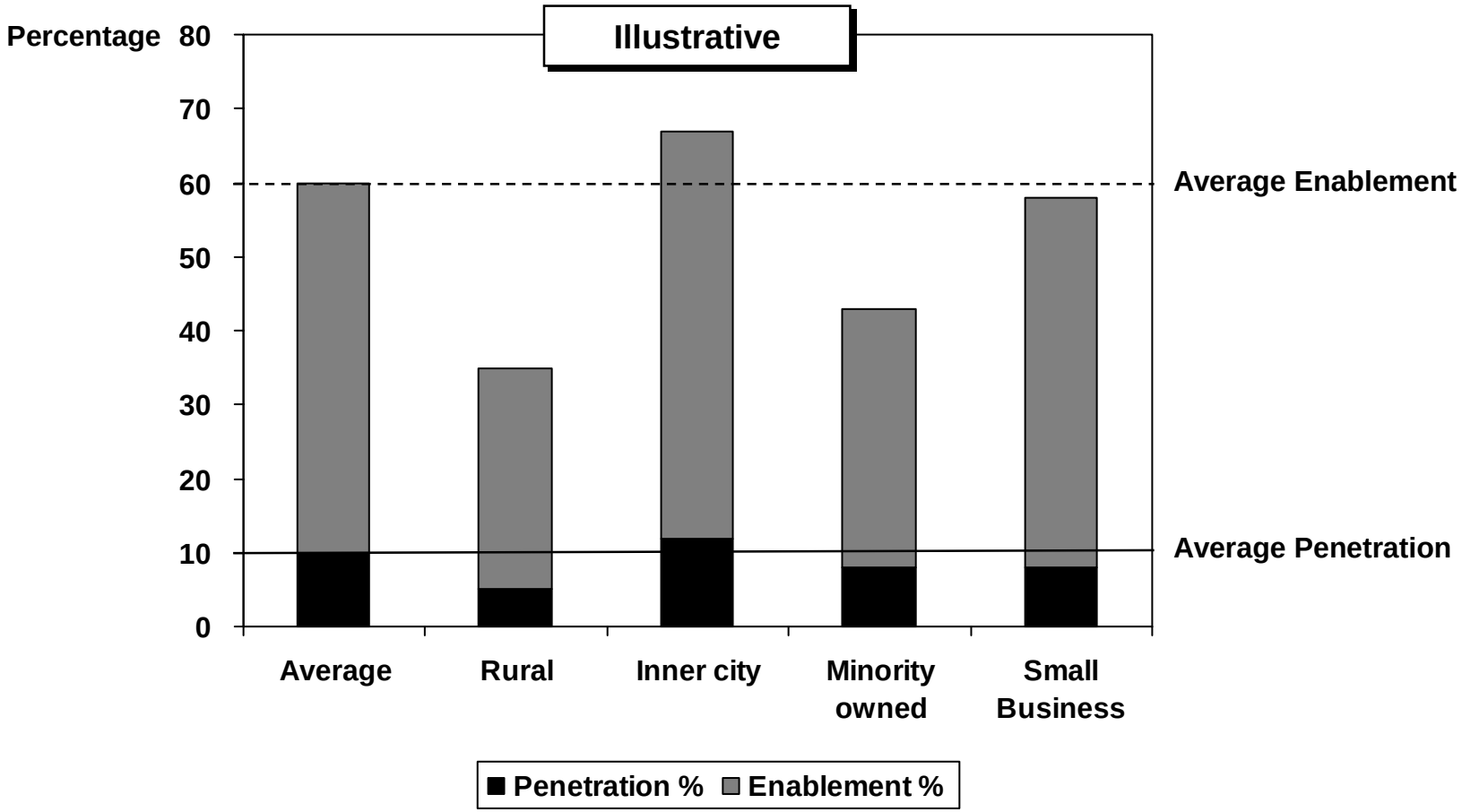
DIGITAL DIVIDE SCORECARD (V)
Cable Modem for Businesses



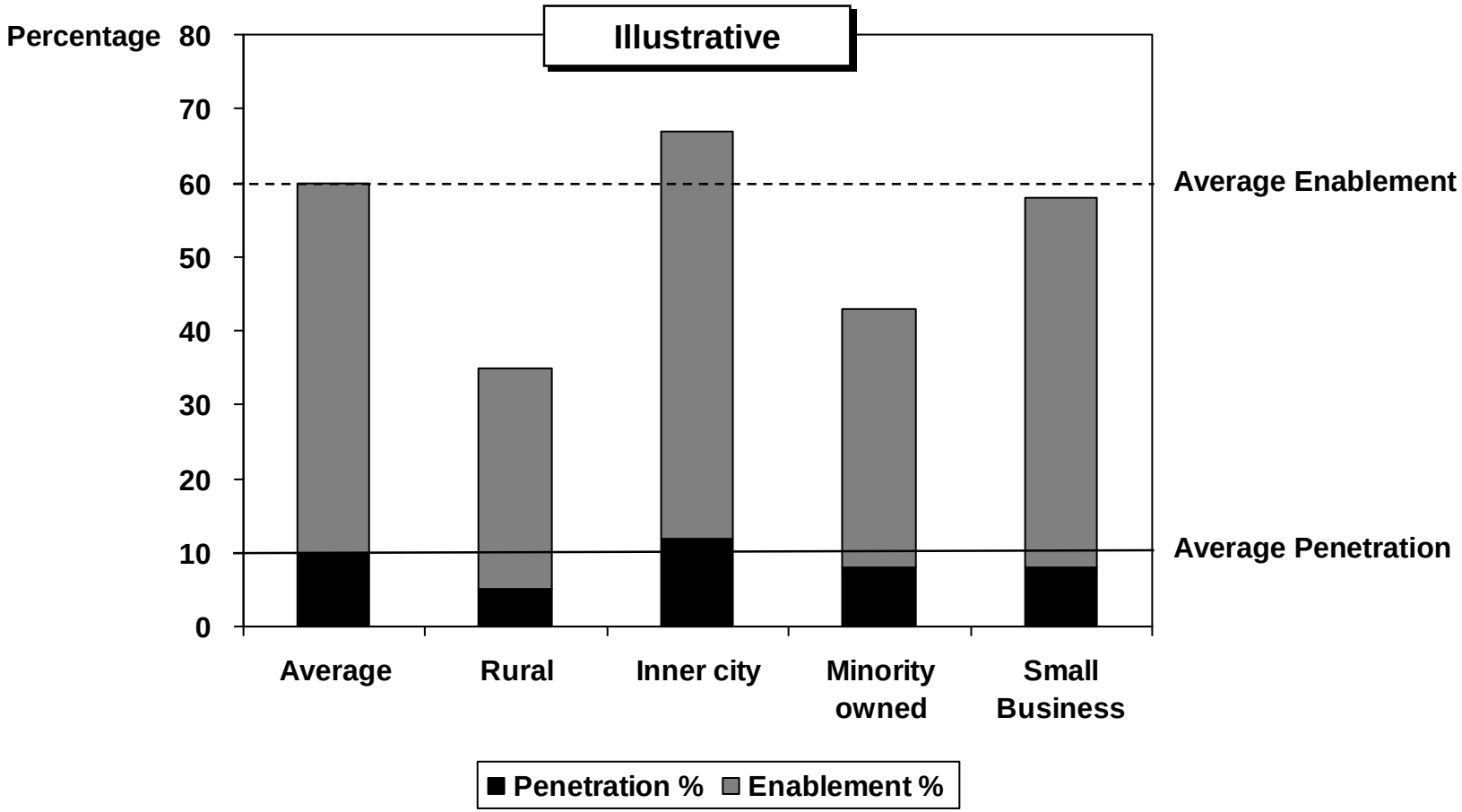
DIGITAL DIVIDE SCORECARD (VI)
Cable Modem for Residential



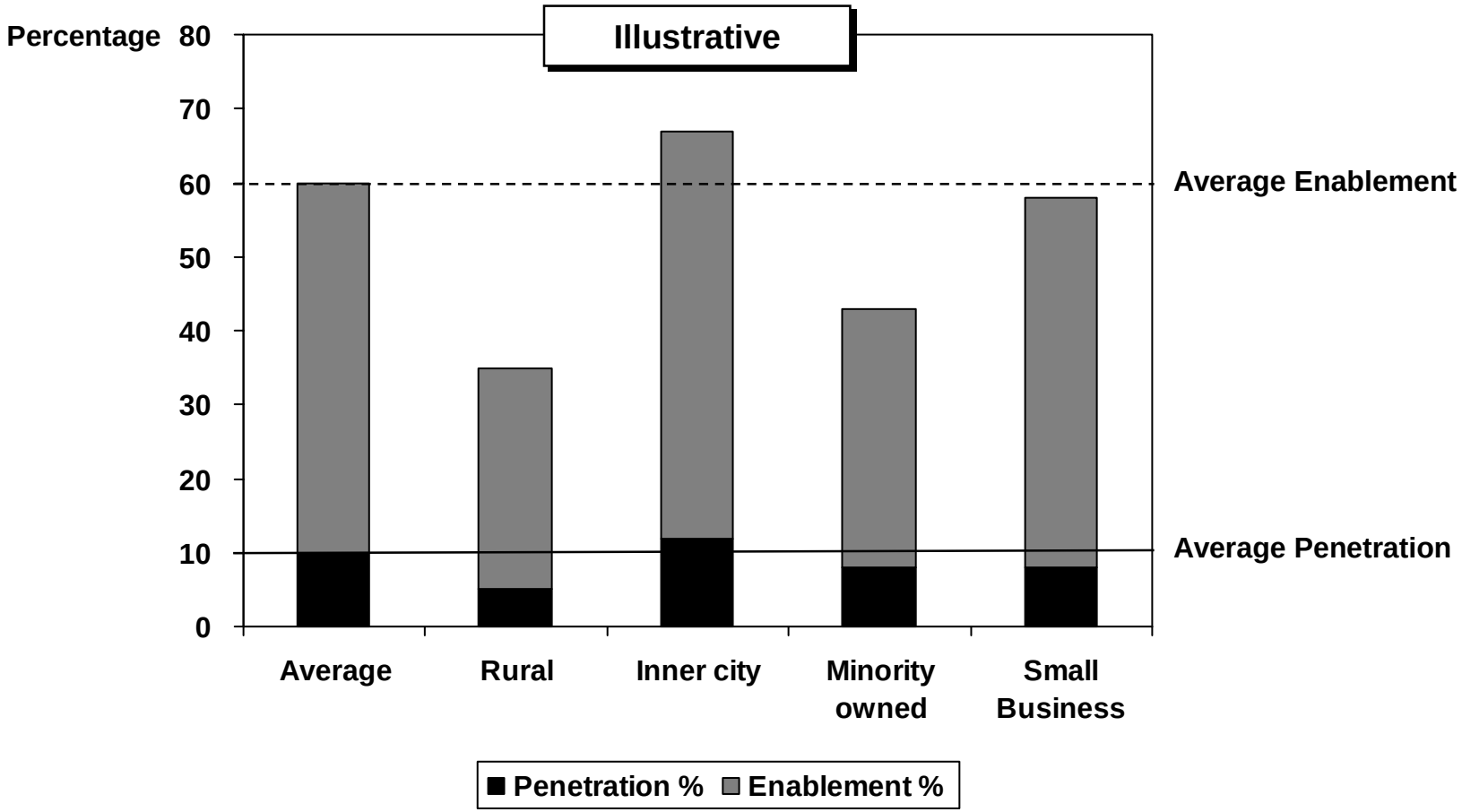
DIGITAL DIVIDE SCORECARD (VII)
Fiber for Businesses



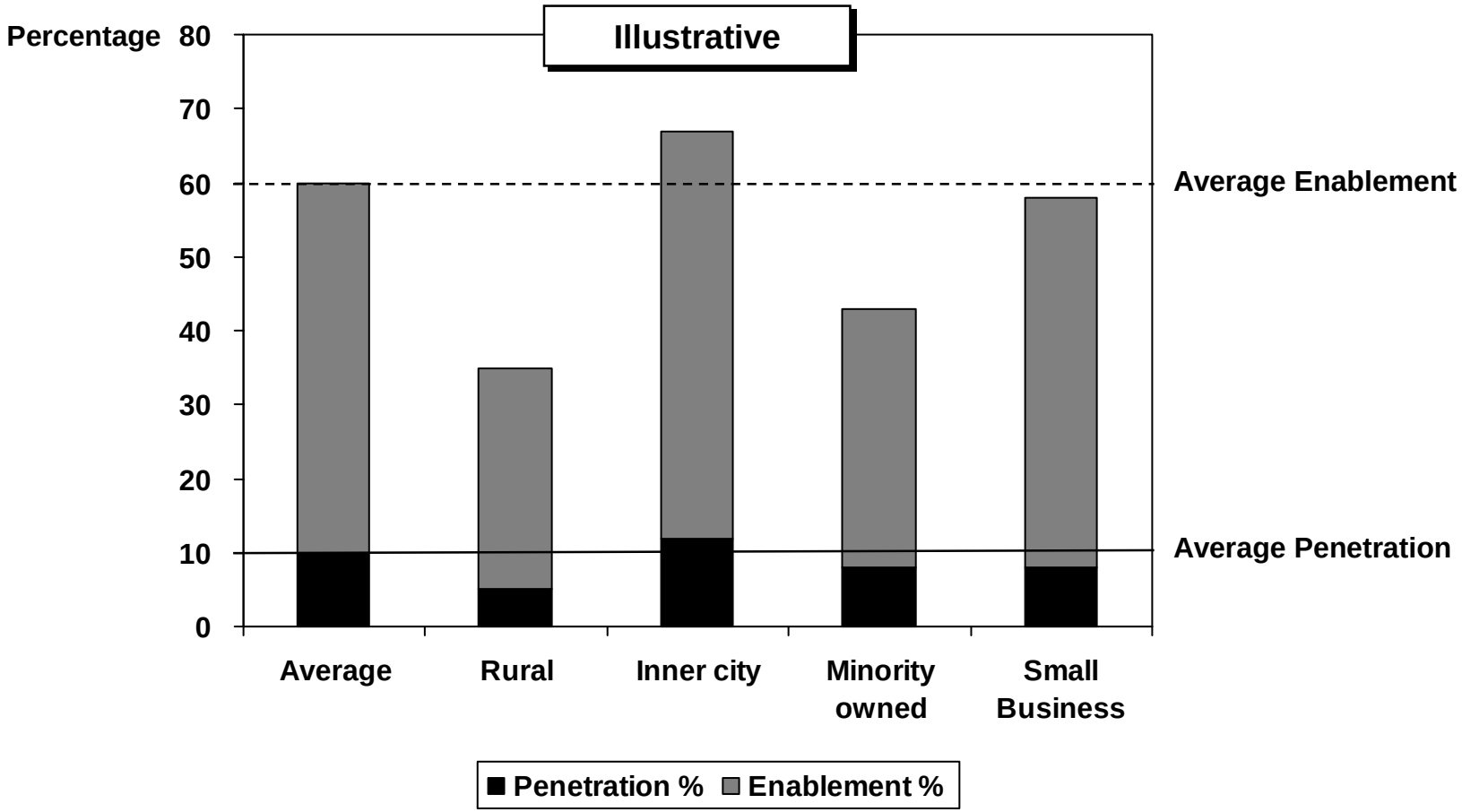
DIGITAL DIVIDE SCORECARD (VIII)
Fiber for Residential



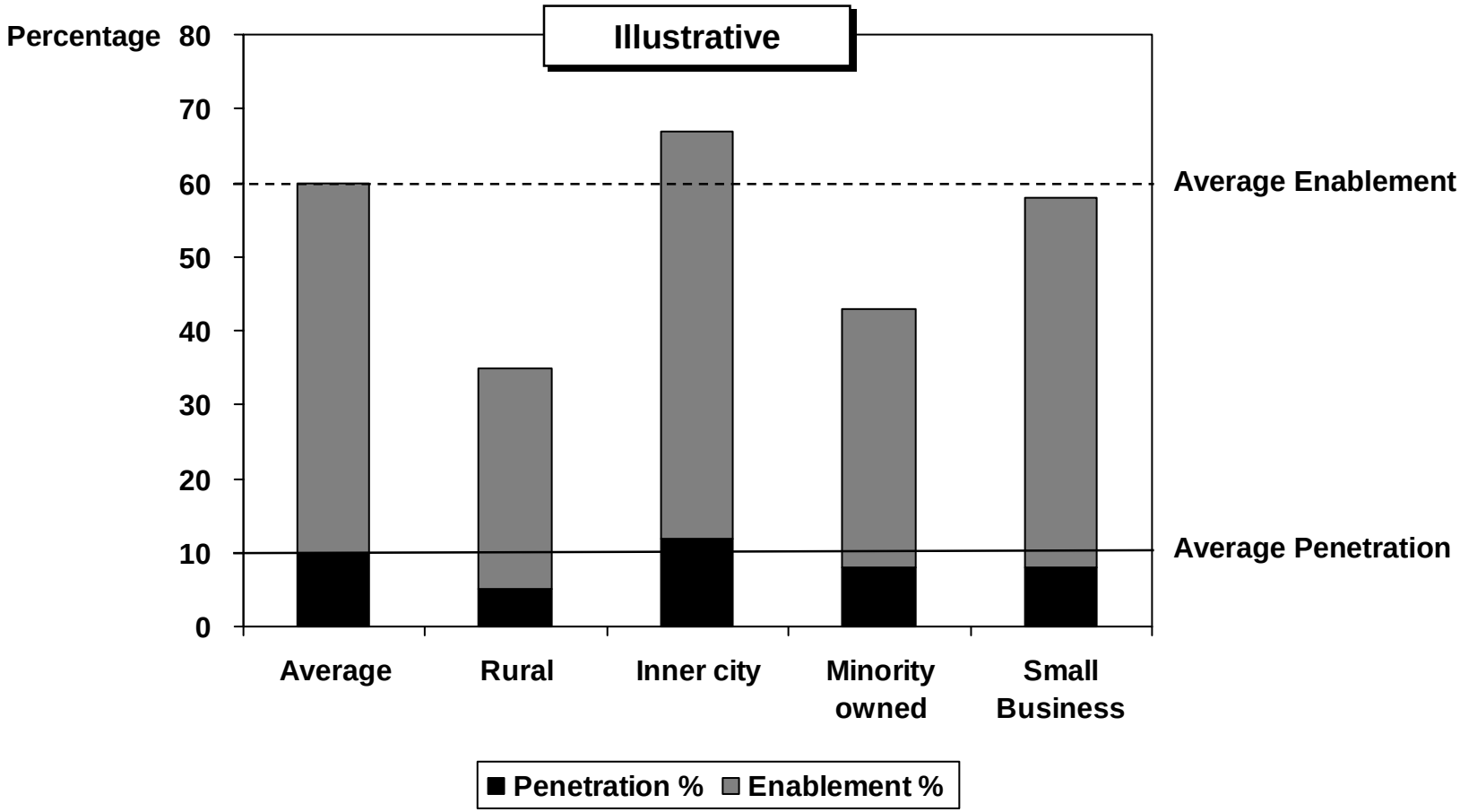
DIGITAL DIVIDE SCORECARD (IX)
Fixed Wireless for Businesses



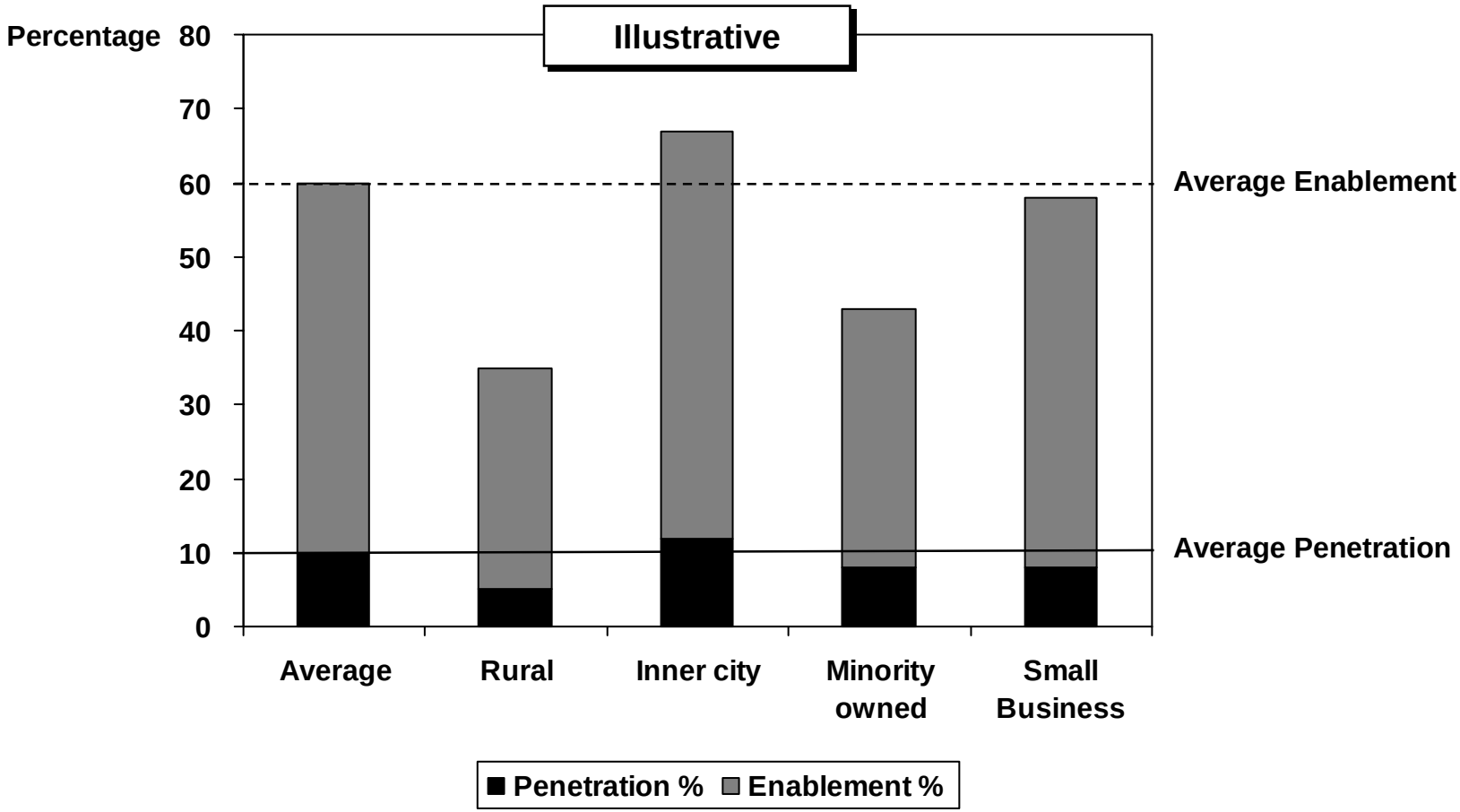
DIGITAL DIVIDE SCORECARD (X)
Fixed Wireless for Residential



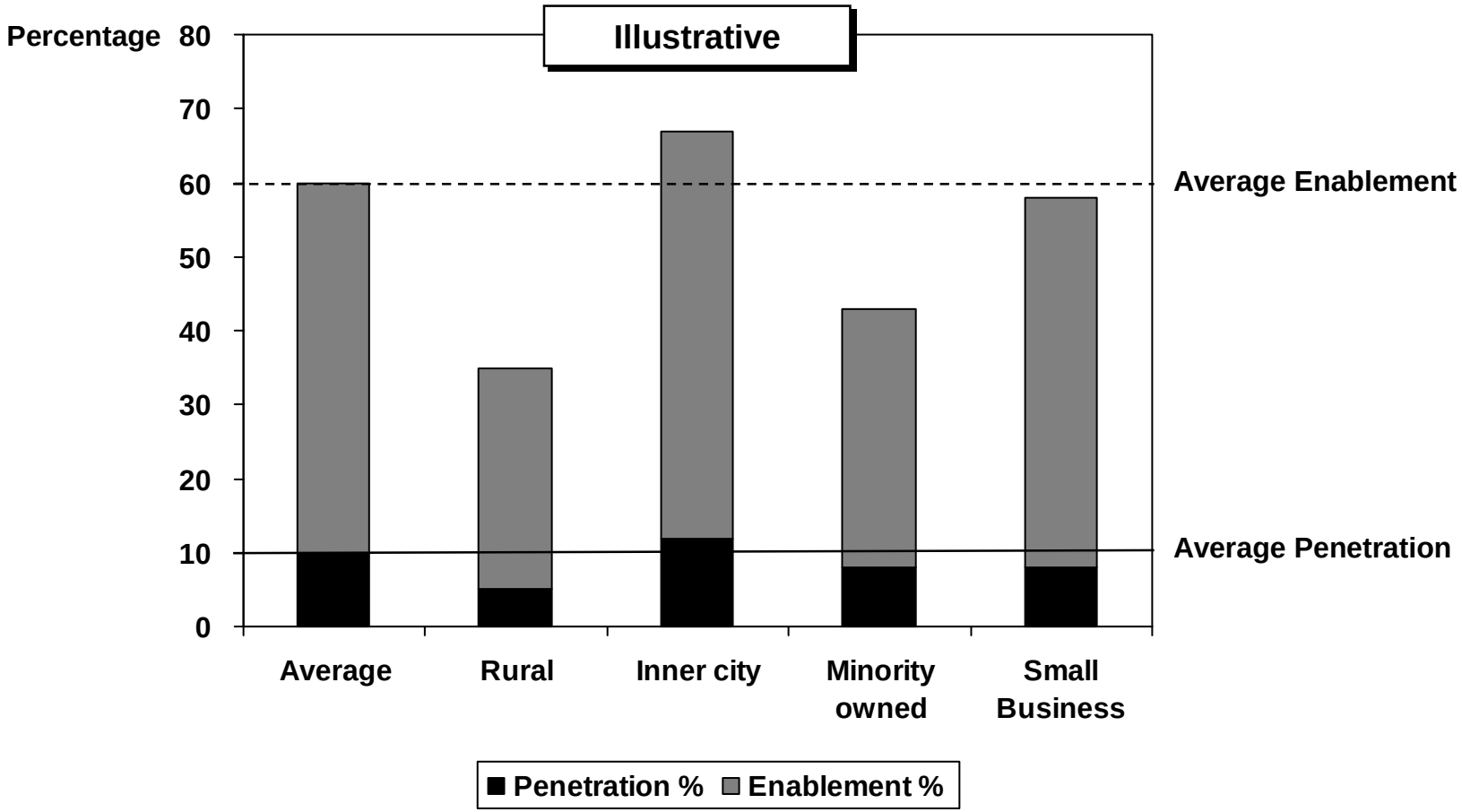
DIGITAL DIVIDE SCORECARD (XI)
Satellite for Businesses



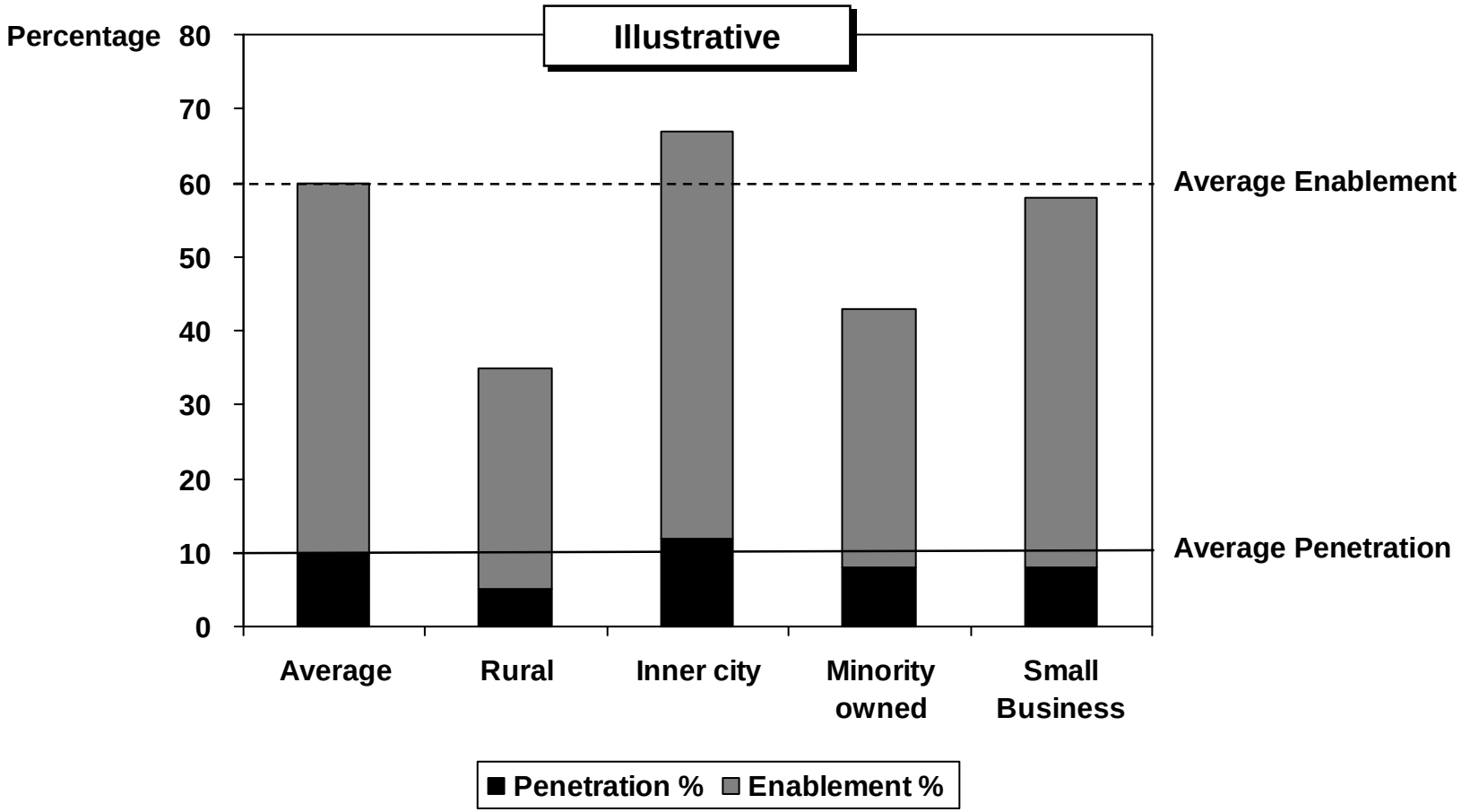
DIGITAL DIVIDE SCORECARD (XII)
Satellite for Residential



DIGITAL DIVIDE SCORECARD (XIII)
Mobile Wireless for Businesses



DIGITAL DIVIDE SCORECARD (XIV)
Mobile Wireless for Residential



FCC SURVEY WOULD NEED TO BE MODIFIED TO PROVIDE DETAILED PENETRATION AND ENABLEMENT DATA

FCC Form 477 section V currently asks broadband providers to list all zip codes where they have at least one customer

- **Indicates which zip codes are broadband enabled**
- **Fails to differentiate type of service**
- **Provides no penetration information within an enabled zip code**

Revised survey would ask broadband providers for specific information about type and number of customers in each zip code with at least one customer

Illustrative

Zip codes with at least one broadband subscriber	Number of customers					
	DSL	Cable Modem	Fiber	Fixed Wireless	Satellite	Mobile Wireless
1	xxx	xxx	xxx	xxx	xxx	xxx
2						
3						
.						
.						
.						
Total						